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BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO  
BASTROP, LOUISIANA

FINANCIAL REPORT

December 31, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

5/19/10

## HILL, INZINA & COMPANY

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# HILL, INZINA & COMPANY

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## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Board of Commissioners  
Bastrop Area Fire Protection District Number Two  
Bastrop, Louisiana

We have audited the accompanying financial statements of the governmental activities and the major fund of Bastrop Area Fire Protection District Number Two (the "District"), as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of December 31, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Management's discussion and analysis and the budgetary comparison schedule, presented as required supplementary information, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the required supplementary information and express no opinion on it. The other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*/s/Hill, Inzina & Co.*

March 17, 2010

**REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)**

## BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Year Ended December 31, 2009

As management of Bastrop Area Fire Protection District Number Two (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2009. This discussion and analysis of management is designed to provide an objective and easy-to-read analysis of the District's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the District's finances. It is also intended to provide readers with an analysis of the short-term and long-term activities of the District based on information presented in the financial report and fiscal policies that have been adopted by the District. Specifically, this section is designed to assist the readers in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (approved budget), and identify individual issues or concerns of individual funds.

As with other sections of this financial report, the information contained within this discussion and analysis of management should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and supplementary information that are provided in addition to this discussion and analysis of management.

#### Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's basic financial statements consist of the following components:

1. Government-wide financial statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers for the first time with a concise "entity-wide" statement of net assets and statement of activities, seeking to give the users of the financial statements a broad overview of the District's financial position and results of operations in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or weakening. Evaluation of the overall economic health of the District would extend to other nonfinancial factors in addition to the financial information provided in this report.

The statement of activities presents information detailing how the District's net assets changed during the most recent year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of this statement is to show the financial reliance of the District's distinct activities or functions on revenues provided by the citizenry of the District.

The government-wide financial statements report governmental activities of the District that are principally supported by tax revenues and structure assessments. Governmental activities of the District include only public safety (fire).

## 2. Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. The District has a governmental fund type that is reported in the fund financial statements and encompasses essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

As the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Reconciliations from both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance to the government-wide statements are provided to assist in understanding the differences between these two perspectives.

## 3. Notes to financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

In addition to the basic financial statements and accompanying notes, the District also includes in this report additional information to supplement the basic financial statements.



### Government-Wide Financial Analysis

The following provides a summary of the net assets of the District's governmental activities as of December 31:

	<u>2009</u>	<u>2008</u>
Other assets	\$ 2,357,629	\$ 1,996,766
Capital assets	<u>263,968</u>	<u>299,756</u>
Total assets	<u>\$ 2,621,597</u>	<u>\$ 2,296,522</u>
Other liabilities	<u>\$ 920,790</u>	<u>\$ 869,773</u>
Net assets:		
Invested in capital assets	\$ 263,968	\$ 299,756
Unrestricted	<u>1,436,839</u>	<u>1,126,993</u>
Total net assets	<u>\$ 1,700,807</u>	<u>\$ 1,426,749</u>

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. The District will use the unrestricted net assets to meet the ongoing obligations to users of its services and creditors.

The following summarizes the District's net asset change of the governmental activities between the two years ended December 31:

	<u>2009</u>	<u>2008</u>
General revenues	\$ 883,721	\$ 883,554
Public safety and debt service expenses	<u>609,663</u>	<u>598,908</u>
Increase in net assets	<u>\$ 274,058</u>	<u>\$ 284,646</u>

The District's expenses cover a range of services, with approximately 81% related to the payment to City of Bastrop and Morehouse Tax Assessor for outside services.

General revenues are those available for the District to pay for the governmental activities. For the year ended December 31, 2009, taxes and structure assessment fees were the largest general revenue sources by far for the District.

### Financial Analysis of Governmental Funds

As of December 31, 2009, the District's governmental fund reported an ending unreserved fund balance of \$1,436,839 compared to \$1,126,993 as of December 31, 2008.

### **Budgetary Highlights**

The District adopted a budget for the General Fund for the year ended December 31, 2009 on December 11, 2008 and amended it one time on December 10, 2009. Actual revenues of the General Fund of \$883,721 exceeded budgeted revenues of \$922,000 by \$38,279 while actual expenditures of \$573,875 were less than budgeted expenditures of \$599,150 by \$25,275.

### **Capital Assets and Debt Administration**

As of December 31, 2009, the District had invested \$263,968 in a broad range of capital assets, including land, buildings, vehicles, and equipment. There were no capital asset additions or deletions during the year ended December 31, 2009.

### **Economic Factors and Next Year's Budget**

The District foresees little, if any, change in operations for the next year but has negotiated a formal payment plan for the amount owed to the District by the primary government.

The budget adopted for the year ending December 31, 2010 includes revenues of \$960,204 and expenditures of \$890,773. Budgeted revenues were increased approximately \$40,000 from the previous year's budget with budgeted expenditures also being increased by approximately \$290,000. The majority of the budgeted increase in expenditures is for payments to be made to City of Bastrop under a cooperative endeavor agreement expected to be signed within a few days after the date of this report.

### **Requests for Information**

This financial report is designed to provide a general overview of the District's financial picture for all those with an interest in the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Chairman, P. O. Box 1236, Bastrop, Louisiana 71221-1236.

## **BASIC FINANCIAL STATEMENTS**

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO  
BASTROP, LOUISIANA

STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES  
December 31, 2009

ASSETS

Cash and cash equivalents	\$ 1,255,476
Certificate of deposit	162,960
Receivables	824,742
Accrued interest	257
Due from primary government	98,088
Prepaid expense	16,106
Capital assets:	
Land	4,500
Other capital assets, net of depreciation	<u>259,468</u>
Total assets	<u>\$ 2,621,597</u>

LIABILITIES

Accounts payable	\$ 1,489
Property taxes paid under protest	33,497
Deferred revenue	<u>885,804</u>
Total liabilities	<u>\$ 920,790</u>

NET ASSETS

Invested in capital assets	\$ 263,968
Unrestricted	<u>1,436,839</u>
Total net assets	<u>\$ 1,700,807</u>
Total liabilities and net assets	<u>\$ 2,621,597</u>

See notes to financial statements.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO  
BASTROP, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES  
For the Year Ended December 31, 2009

Expenses:

Current:

Public safety:

Commissioners' and secretary's compensation	\$ 3,870
Depreciation	35,788
Election	11,772
Insurance	12,116
Legal and accounting	11,993
Miscellaneous	938
Outside services	478,848
Pension cost	5,915
Repairs and maintenance	18,746
Tax assessor's services	16,025
Utilities	<u>13,652</u>
Total expenses	<u>\$ 609,663</u>

General revenues:

Ad valorem taxes	\$ 176,386
Structure assessment fees	633,014
Fire insurance rebate	33,154
State revenue sharing	29,345
Interest and miscellaneous	<u>11,822</u>
Total general revenues	<u>\$ 883,721</u>

Change in net assets \$ 274,058

Net assets - beginning 1,426,749

Net assets - ending \$ 1,700,807

See notes to financial statements.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO  
BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND  
December 31, 2009

ASSETS

Cash and cash equivalents	\$ 1,255,476
Certificate of deposit	162,960
Receivable	824,742
Accrued interest	257
Due from primary government	98,088
Prepaid expense	<u>16,106</u>
 Total assets	 <u><u>\$ 2,357,629</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 1,489
Property taxes paid under protest	33,497
Deferred revenue	<u>885,804</u>
Total liabilities	\$ 920,790
 Fund balance - unreserved and undesignated	 <u>1,436,839</u>
 Total liabilities and net assets	 <u><u>\$ 2,357,629</u></u>

See notes to financial statements.

**BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO  
BASTROP, LOUISIANA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUND - GENERAL FUND**

For the Year Ended December 31, 2009

**Revenues:**

Ad valorem tax	\$ 176,386
Structure assessment fees	633,014
Fire insurance rebate	33,154
State revenue sharing	29,345
Interest	<u>11,822</u>
Total revenues	<u>\$ 883,721</u>

**Expenditures:**

**Current:**

**Public safety:**

Commissioners' and secretary's compensation	\$ 3,870
Election	11,772
Insurance	12,116
Legal and accounting	11,993
Miscellaneous	938
Outside services	478,848
Pension cost	5,915
Repairs and maintenance	18,746
Tax assessor's services	16,025
Utilities	<u>13,652</u>
Total expenditures	<u>\$ 573,875</u>

Net change in fund balance	\$ 309,846
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Fund balance - beginning	<u>1,126,993</u>
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Fund balance - ending	<u><u>\$ 1,436,839</u></u>
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See notes to financial statements.

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO  
BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET  
TO GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
December 31, 2009

Total fund balance - governmental fund balance sheet	\$ 1,436,839
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Amounts reported for governmental activities in statement of net  
assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	<u>263,968</u>
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Total net assets of governmental activities - government-wide statement of net assets	<u>\$ 1,700,807</u>
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See notes to financial statements.



BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO  
BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
December 31, 2009

Net change in fund balance - governmental fund - general fund	\$ 309,846
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Amounts reported for governmental activities in statement of  
activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense for the current period.	<u>( 35,788)</u>
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Change in net assets of governmental activities - government-wide statement of activities	<u>\$ 274,058</u>
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See notes to financial statements.

**BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO  
BASTROP, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2009**

**Note 1. Organization and Summary of Significant Accounting Policies**

Bastrop Area Fire Protection District Number Two (the "District") is a component unit of Morehouse Parish. It was created by the Police Jury of Morehouse Parish on May 5, 1964 in accordance with Louisiana Revised Statute 40:1491. The District is governed by a board of five commissioners who are qualified voters, residents of the District, appointed by Morehouse Parish Police Jury, and assume that they serve five year terms. The chairman of the commissioners is compensated \$100 for each meeting attended while the other commissioners are compensated \$50.

The District was created for the purpose of maintaining and operating fire stations and equipment to provide fire protection within the boundaries of the District.

The District has no employees.

The District is considered a component unit of Morehouse Parish Police Jury, the financial reporting entity, as the District provides fire protection service to residents within Morehouse Parish.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on Morehouse Parish Police Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

The more significant of the District's accounting policies are described below:

**Government-Wide Financial Statements:**

The government-wide financial statements include the statement of assets and the statement of activities. These statements report financial information for the District as a whole as governmental activities that are supported by general revenues.

The statement of activities reports the expenses of a given function offset by program revenues, if any, directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Other revenue sources not properly included with the program revenues are reported instead as general revenues.

## NOTES TO FINANCIAL STATEMENTS

### Fund Financial Statements:

Fund financial statements are provided for the governmental fund.

### Basis of Accounting, Measurement Focus, and Financial Statement Presentation:

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP).

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest related to long-term debt which are reported as expenditures in the year paid.

Major revenue sources susceptible to accrual are ad valorem taxes and structure assessments. Ad valorem taxes are recognized as revenues in the year for which they are levied while structure assessments are recognized in the period collected. In general, all other revenues are recognized when cash is received.

### Fund Type and Major Fund:

The District reports the General Fund as a major governmental fund. The General Fund is the general operating fund of the District and accounts for all financial resources.

## NOTES TO FINANCIAL STATEMENTS

### Budgets and Budgetary Accounting:

The Board of Commissioners adopted the annual budget for the General Fund on December 11, 2008. The annual budget was prepared in accordance with the modified accrual basis of accounting utilized by the General Fund. The Treasurer is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures resulting from revenues exceeding amounts estimated must be approved by the Board of Commissioners. The budget was amended only once on December 10, 2009. The budgetary comparison schedule, included as supplementary information in the accompanying financial statements, includes the original and final budgeted amounts. All annual appropriations lapse at the end of each fiscal year.

### Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Cash, Cash Equivalents and Certificates of Deposit:

Cash includes amounts in non-interest bearing demand deposits. Cash equivalents include amounts in timed deposits with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

State law allows the District to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

If the original maturities of time deposits exceed 90 days, they are classified as certificates of deposit. As of December 31, 2009, the District's investment consisted of a non-negotiable certificate of deposit.

### Receivables:

Significant receivables include ad valorem taxes and structure assessment fees.

## NOTES TO FINANCIAL STATEMENTS

### Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. The District's management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

### Prepaid Expense:

A prepaid expense is recorded in both the government-wide and fund financial statements for a cost paid in the year ended December 31, 2009 related to a revenue that will be recorded and recognized in the year ending December 31, 2010.

### Capital Assets and Depreciation:

Capital assets, which include property, plant, and equipment, with useful lives of more than one year are reported in the government-wide financial statements. Capital assets are capitalized at historical cost. The District maintains a threshold level of \$2,500 or more for capitalizing assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

As surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Vehicles and equipment	10 years

### Deferred Revenue:

The District reports deferred revenue which arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed and revenue is recognized.

## NOTES TO FINANCIAL STATEMENTS

### Equity Classifications:

In the government-wide financial statements, equity is classified as net assets and classified into two components:

1. Invested in capital assets - consists of capital assets net of accumulated depreciation.
2. Unrestricted - consists of all other assets.

In the fund financial statements, the governmental fund balance is classified as unreserved and undesignated as all amounts are available for appropriation and not legally restricted for specified purposes.

### Revenue Recognition - Ad Valorem Taxes and Structure Assessment Fees:

Ad valorem taxes and structure assessment fees attach as an enforceable lien on property as of the date the tax rolls are filed with the recorder of mortgages which, by law, must be on or before November 15 of each year. Billed taxes and fees become delinquent on January 1 of the following year. Morehouse Parish Sheriff bills and collects the District's property taxes and structure assessment fees using the assessed values determined by Morehouse Parish Tax Assessor and the assessment fees approved by the voters of the District. Revenues from ad valorem taxes and structure assessment fees are recognized as deferred revenue when levied.

### Note 2. Deposits with Financial Institutions

The following is a summary of cash and deposits as of December 31, 2009:

Non-interest bearing demand deposits	\$ 245,270
Certificates of deposit	<u>1,173,166</u>
	<u>\$ 1,418,436</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

## NOTES TO FINANCIAL STATEMENTS

As of December 31, 2009, the District had \$1,423,082 in deposits (collected bank balances). These deposits were secured from risk by \$662,876 of federal deposit insurance and \$760,206 of pledged securities held by the District or its agent in the District's name.

There were no repurchase or reverse repurchase agreements as of December 31, 2009.

### Note 3. Receivables

As of December 31, 2009, receivables of the District consisted of \$244,349 of ad valorem taxes and \$580,393 of structure assessment fees.

### Note 4. Due from Primary Government

\$98,088 is reported as due from Morehouse Parish Police Jury for the remainder of funds deposited into the General Fund of the Jury during 2005 and the prior five fiscal years, determined to be legally those of the District by an opinion rendered in 2005 by State of Louisiana's Office of Attorney General. As of the date of this report, no formal agreement has been reduced to writing by the District and Jury as to the terms of the repayment but the District did repay \$73,002 of the amount during the year ended December 31, 2009.

### Note 5. Taxes and Fees

The District is authorized to levy a maximum tax of 6.70 mills annually on property within the boundaries of the District for maintenance and operation beginning with the year 2009 and ending with the year 2018. The District levied 5.04 mills for the year ended December 31, 2009.

Total ad valorem taxes levied were \$241,554 for the above millage. As of December 31, 2009, \$33,497 of ad valorem taxes had been paid under protest from the current and prior years' tax levies. \$13,834 of the total taxes paid under protest were being held by Morehouse Parish Sheriff and were included in the amount recorded as receivable as of December 31, 2009. International Paper Co. was the principal ad valorem taxpayer for Morehouse Parish as a whole.

For the year ended December 31, 2009, in accordance with the provisions of Louisiana Revised Statute 40:1502.13, as amended, the District levied a structure assessment fee of \$125 on persons owning residential or commercial structures and on persons owning mobile homes, whether occupied or not, located wholly or partly within the boundaries of the District. This tax was levied on each structure for the purpose of providing fire protection and expires in 2014.

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2009 for the governmental activities of the District is as follows:

	Balance January <u>1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance December <u>31, 2009</u>
Capital assets not being depreciated:				
Land	<u>\$ 4,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,500</u>
Capital assets being depreciated:				
Buildings	\$ 142,498	\$ -	\$ -	\$ 142,498
Vehicles and equipment	<u>597,281</u>	<u>-</u>	<u>-</u>	<u>597,281</u>
Total capital assets being depreciated	<u>\$ 739,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 739,779</u>
Less accumulated depreciation for:				
Buildings	\$ 64,420	\$ 3,562	\$ -	\$ 67,982
Vehicles and equipment	<u>380,103</u>	<u>32,226</u>	<u>-</u>	<u>412,329</u>
Total accumulated depreciation	<u>\$ 444,523</u>	<u>\$ 35,788</u>	<u>\$ -</u>	<u>\$ 480,311</u>
Total capital assets being depreciated, net	<u>\$ 295,256</u>	<u>\$ ( 35,788)</u>	<u>\$ -</u>	<u>\$ 259,468</u>

Depreciation expense was charged to the public safety governmental function.



## NOTES TO FINANCIAL STATEMENTS

### Note 7. Cooperative Endeavor Agreement

In February 1999, the District entered into a cooperative endeavor agreement with City of Bastrop, Louisiana (the "City"), commencing on January 1, 1999 and to terminate on December 31, 2009. The agreement states that a base sum of \$367,000 is to be paid by the District to the City during the first year of the contract. Thereafter, the District is to pay the base amount plus an additional amount that is equivalent to 3% of the total amounts of all payments received by the City from the District for the previous year. An allowance is also made in the agreement for additional amounts to be paid to the City if the City grants more than a 3% raise to fire department employees and for inflation increases.

Under the terms of the agreement, the City is to provide fire protection to residents of the District in the same manner as is provided to residents of the city subject to availability of personnel, equipment, and water supply. During the term of the agreement, the District must maintain ownership of (or continue to lease, as lessee) three fire trucks. The District also agrees to maintain and keep in good repair the fire stations contracted or constructed by the District and to pay for all utility services. The City agrees to maintain statutory workman's compensation insurance on all of its employees and to carry a policy of general liability naming the District as an additional insured.

During the year ended December 31, 2009, the District paid the City \$478,848 under the agreement.

The City's legal counsel is of the opinion that amounts paid over the years under the previous contracts between the City and the District were miscalculated and underpaid by the District by approximately \$425,000. This underpayment was recorded in the financial statements of the City as of June 30, 2007, but the District has not agreed to the correctness or to the payment of the amount. Therefore, a receivable or payable has not been recorded in these financial statements.

A cooperative endeavor agreement, commencing on January 1, 2010, is expected to be adopted by the District and City within a few days after the date of this report.

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance to reduce the risk of loss resulting from property damage or liability claims on the fire station buildings and fire trucks. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage for each of the past three fiscal years.

### Note 9. Uncertainties

In November 2008, International Paper Company closed indefinitely. As previously communicated in Note 5, the mill was the principal ad valorem taxpayer for Morehouse Parish as a whole. The full impact of this event is definitely uncertain as of the date of this report.

**REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)**

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO  
BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GOVERNMENTAL FUND - GENERAL FUND

As of and for the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$ 183,193	\$ 183,000	\$ 176,386	\$( 6,614)
Structure assessment fees	641,000	697,000	633,014	( 63,986)
Fire insurance rebate	32,400	-	33,154	33,154
State revenue sharing	24,000	29,000	29,345	345
Interest	1,200	13,000	11,822	( 1,178)
Total revenues	<u>\$ 881,793</u>	<u>\$ 922,000</u>	<u>\$ 883,721</u>	<u>\$( 38,279)</u>
Expenditures:				
Current:				
Public safety:				
Commissioners' and secretary's compensation	\$ 4,000	\$ 4,000	\$ 3,870	\$ 130
Election	-	-	11,772	( 11,772)
Insurance	5,000	5,000	12,116	( 7,116)
Legal and accounting	12,000	12,000	11,993	7
Miscellaneous	5,000	5,000	938	4,062
Outside services	486,150	486,150	478,848	7,302
Pension cost	-	-	5,915	( 5,915)
Repairs and maintenance	30,000	30,000	18,746	11,254
Tax assessor's services	16,000	16,000	16,025	( 25)
Utilities	16,000	16,000	13,652	2,348
Debt service:				
Principal	103,886	-	-	-
Interest	5,652	-	-	-
Capital outlay	25,000	25,000	-	25,000
Total expenditures	<u>\$ 708,688</u>	<u>\$ 599,150</u>	<u>\$ 573,875</u>	<u>\$ 25,275</u>

(continued)

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO  
BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GOVERNMENTAL FUND - GENERAL FUND (Continued)  
As of and for the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Net change in fund balance	\$ 173,105	\$ 322,850	\$ 309,846	\$( 13,004)
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>1,126,993</u>	<u>1,126,993</u>
Fund balance - ending	<u>\$ 173,105</u>	<u>\$ 322,850</u>	<u>\$ 1,436,839</u>	<u>\$ 1,113,989</u>

OTHER SUPPLEMENTARY INFORMATION

BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO  
BASTROP, LOUISIANA

SCHEDULE OF COMPENSATION PAID COMMISSIONERS  
As of and for the Year Ended December 31, 2009

The schedule of compensation paid to the commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the commissioners is included in the public safety expenditures of the General Fund. The commissioners receive compensation pursuant to Louisiana Revised Statute 404.1.

<u>Name and Title</u>	<u>Compensation</u>
Jimmy Luzader, Chairman	\$ 1,200
Steve Mitcham	440
Jessie Griggs	540
Clarence Fontenot	<u>490</u>
Total compensation	<u>\$ 2,670</u>

# HILL, INZINA & COMPANY

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
Bastrop Area Fire Protection District Number Two  
Bastrop, Louisiana

We have audited the financial statements of the governmental activities and the major fund of Bastrop Area Fire Protection District Number Two (the "District"), as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-1, 2009-2, and 2009-3 to be significant deficiencies in internal control over financial reporting.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described as item 2009-1 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by Louisiana Legislative Auditor as a public document.

/s/ Hill, Inzina & Co.

March 17, 2010

## BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS WITH MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION

As of and for the Year Ended December 31, 2009

We have audited the financial statements of the governmental activities and the major fund of Bastrop Area Fire Protection District Number Two (the "District"), as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2009 resulted in an unqualified opinion.

#### Section I - Summary of Auditor's Report

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

##### Internal Control

Significant Deficiencies ☒ Yes ☐ No

Material Weaknesses ☒ Yes ☐ No

##### Compliance

Material to Financial Statements ☐ Yes ☒ No

#### Section II - Financial Statement Findings

2009-1 Inadequate Segregation of Duties (initially cited in first audit conducted by our firm as of and for the two years ended December 31, 1993)

Criteria: Adequate segregation of duties is essential to a proper internal control structure.

Condition: The segregation of duties is inadequate to provide effective internal control.

Cause: The condition is due to economic limitations.

Effect: Not determined.

Recommendation: No action is recommended.

Management's  
response and  
planned cor-  
rective action:

Due to the size of the board, management feels they have done all that can be done to segregate duties. This includes hiring an outside accountant to receive mail, pay bills, and make deposits.

2009-2    Payments Without Formal Agreements (initially cited as of and for the year ended December 31, 2007)

Criteria:

Management is responsible for taking formal action approving amounts to be paid to and from the District and not relying solely on amounts determined to be payable by outside parties.

Condition:

During the year ended December 31, 2009, the District paid \$478,848 to City of Bastrop with the amount owed being disputed by both parties. Morehouse Parish Police Jury (primary government) paid to the District \$73,002, again with the total amount due not agreed to by both parties.

Cause:

District's management had not previously persevered in settling amounts due to or from outside parties.

Effect:

Payments are being made and received without written, formal agreements between the District and the outside parties.

Recommendation:

The District's management should continue to meet with the outside parties along with legal counsel of both and encourage quick settlement of the issues at hand.

Management's  
response and  
planned cor-  
rective action:

An agreement has not been reached as of the date of this report with Morehouse Parish Police Jury but a cooperative endeavor agreement, effective January 1, 2010, has been adopted with City of Bastrop settling the amount of future payments to be made by the District to the City.

2009-3    Lack of or Not Implementing Internal Control Policies and Procedures (initially cited as of and for the year ended December 31, 2007)

Criteria:            Management is responsible for establishing and implementing internal control policies and procedures that provide for proper accounting, reasonable assurance that assets are safeguarded against loss resulting from unauthorized use, and that transactions are executed in accordance with management's authorization.

Condition:           The Board of Commissioners agreed unanimously at the January 25, 2007 meeting to purchase an errors and omission policy. As of the date of this report, this policy has not been purchased and no commercial insurance is carried to protect the District's exposure to the various risks of loss related to errors and omissions.

The District had a bank balance of \$249,916 held in a non-interest bearing checking account as of December 31, 2009. The District's management has not formally adopted deposit and investment policies.

Cause:                Taking action on matters authorized and approved by the Board of Commissioners is not timely.

District's management has not adopted deposit and investment policies.

Effect:                The District is exposed to various risks of loss related to errors and omissions.

The District is in noncompliance with GASB No. 40 that requires the formal adoption of deposit and investment policies.

Recommendation:   The Board of Commissioners should continue its search for insurance coverage and adopt a deposit and investment policy.

Management's  
response and  
planned cor-  
rective action:

Efforts are being made to acquire an errors and omission policy.

**BASTROP AREA FIRE PROTECTION DISTRICT NUMBER TWO  
BASTROP, LOUISIANA**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
As of and for the Year Ended December 31, 2009**

**Section I - Internal Control and Compliance Material to Financial Statements**

- |        |   |                      |
|--------|---|----------------------|
| 2008-1 | <b>Inadequate Segregation of Duties</b>   |                      |
|        | Adequate segregation of duties is essential to a proper internal control structure.   | Unresolved - 2009-1. |
| 2008-2 | <b>Noncompliance with Local Government Budget Act</b>   |                      |
|        | An annual budget should be adopted for the General Fund prior to the end of the previous fiscal year.   | Resolved.            |
| 2008-3 | <b>Payments Without Formal Agreements</b>   |                      |
|        | Payments are being made without written, formal agreements between the District and the outside parties.  | Unresolved - 2009-2. |
| 2008-4 | <b>Lack of or Not Implementing Internal Control Policies and Procedures</b>   |                      |
|        | Management is responsible for establishing and implementing internal control policies and procedures that provide for proper accounting, reasonable assurance that assets are safeguarded against loss resulting from unauthorized use, and that transactions are executed in accordance with management's authorization. | Unresolved - 2009-3. |

**Section II - Management Letter**

None issued.